

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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April 6, 2004

FROM: PATTI AGUIAR, Supervisor - 4th District
Board of Supervisors

SUBJECT: CHINO AGRICULTURAL PRESERVE

RECOMMENDATIONS:

1. Direct the County Administrative Office to conduct a management audit of the Southern California Agricultural Land Foundation (SCALF) administrative operations at a cost not to exceed \$20,000.
2. Direct the Real Estate Services Department to prepare and present to the Board for approval an amendment to Contract No. 02-508 with the SCALF to extend said contract through August 31, 2004 to administer the County's Agricultural Open Space Land Acquisition and Post Acquisition Preservation program to allow sufficient time to complete the management audit and develop further recommendations.
3. Authorize the Auditor/Controller-Recorder to increase appropriations as detailed in the financial impact section. (Four votes required)

BACKGROUND INFORMATION: Approval of this item would bring forward a 90-day extension to the County's agreement with SCALF to manage the Chino Agricultural Preserve, while directing staff to conduct a management audit of SCALF operations.

On June 14, 1994, the Board approved a three-year agreement with SCALF to develop and implement the County's Agricultural Open Space Land Acquisition and Post Acquisition Preservation program (Program) within the Chino Agricultural Preserve (Ag Preserve). SCALF was also responsible for negotiating leases, leasebacks and joint venture transactions to continue ongoing dairy operations and property management activities during the acquisition process. The funds necessary to implement the Program and acquire properties in the Ag Preserve were made available to the County under the California Wildlife, Coastal and Parkland Conservation Act of 1988 (Proposition 70) and the Federal Agricultural Improvement and Reform Act of 1996. On April 22, 1997, the Board approved an agreement with SCALF to continue administration of the Program. The current agreement with SCALF expires May 31, 2004. Two one-year options to extend the term are available.

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The original management responsibilities of SCALF included the acquisition of nine dairies utilizing Proposition 70 funds and the ongoing lease management of those dairies and the one dairy acquired by the County. To provide this ongoing, day-to-day management, SCALF hired staff to carry out these duties. In the ten years since the original agreement was entered into with SCALF, all of the funds available under Proposition 70 have been expended for the acquisition of dairies and leases have been entered into with tenant/operators for eight dairies including the Wiersema Dairy.

Since the acquisition and the lease of the dairies and other properties has been accomplished, it is prudent for the County to evaluate the current status of the day-to-day operations and the scope of management necessary for efficient and cost effective oversight by the County and in conjunction with SCALF.

The County's relationship with SCALF and its Governing Board has been productive throughout the past decade and the partnership has fulfilled the interests of the County and the dairy industry in preserving agricultural operations in the Ontario/Chino area. Annual revenues for FY 2003-04 are budgeted at \$862,498, and year-end fund balance is anticipated to reach just over \$3 million. Given the significant investment in this operation, and the need to maximize available resources to support the program's evolution over the years ahead, I believe that a management audit will help the County and the Foundation ensure that management activities are being carried out in the most efficient manner possible. The proposed audit would evaluate key areas including, but not limited to, program expenditures, rents, and management staffing levels and activities. Findings and recommendations would be reviewed by the County and the SCALF Board for incorporation into the next phase of the agreement for the continued management of the Program.

REVIEW AND APPROVAL BY OTHERS: This item has been reviewed by the Real Estate Services Department (David H. Slaughter, Director, 387-7813) on March 26, 2004; the Auditor/Controller-Recorder (Howard Ochi, Chief Deputy Auditor, 386-8821) on March 26, 2004; and the County Administrative Office (Mark Weinstein, Deputy Administrative Officer, 387-5423) on March 29, 2004.

FINANCIAL IMPACT: The estimated cost for the management audit will not exceed \$20,000. This cost together with the total cost of a 90-day amendment to the management contract will be funded by income received from rents from the Program properties deposited in the Chino Agricultural Preserve special revenue fund (SIF INQ). Approval of this item will not result in local cost. Sufficient appropriation is available in the Chino Agricultural Preserve budget to pay for an extension to the management contract with SCALF, which will be requested in a subsequent Board item; however, the following adjustment is requested in order to provide for the payment of the management audit.

SIF INQ ADMN 200 2405 Services and supplies	\$20,000
SIF INQ ADMN 600 6000 Contingencies	(\$20,000)

COST REDUCTION REVIEW: Costs to extend the management contract and conduct the audit will be funded entirely by income from the Program properties. Approval of this item will not result in local cost.

SUPERVISORIAL DISTRICT: Fourth

PRESENTER: Supervisor Patti Aguiar, 387-4866